

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



JULY/AUGUST
2006

Members Elect Trustees to KTRS Board

The election for the two positions on the KTRS Board of Trustees due to the expiring terms of Robert M. Conley and Laura A. Zimmerman, was conducted during May 2006. Chief State School Officer Gene Wilhoit certified the results of the election to the KTRS Board of Trustees.



Robert M. Conley of Paintsville, the incumbent, was re-elected to a four-year term as lay trustee. Mr. Conley served as lay member on the Kentucky Teachers' Retirement System (KTRS) Board of Trustees from September 1988

until June 2003, and was appointed to the Board

continued on page 2-CONLEY ...



Laura A. Zimmerman of Lexington, the incumbent, was re-elected to a four-year term to represent active members. Ms. Zimmerman has served as an active member trustee on the Kentucky Teachers' Retirement System (KTRS) Board of

Trustees since September 2003.

continued on page 2-ZIMMERMAN ...

KTRS Board of Trustees Chair & Vice Chair Elected



Dr. Zella F. Wells, of Paintsville, was elected chair of the Board of Trustees for the 2006-2007 fiscal year at the Board of Trustees meeting held June 19, 2006. Dr. Wells has represented active members on

the Board since 2004 and served as the Board's vice-chair during fiscal year 2005-2006.



Barbara G. Sterrett, of Lexington, was elected vice-chair for the 2006-2007 fiscal year. Ms. Sterrett represented active members on the Board from 1990 until her retirement in 2003. In May 2005, she

was elected to represent retired members.

**** Inside this Issue ****

Members Elect New Board Member	1
Board Chair & Vice Chair Elected	1
Board Elects Trustee to Unexpired Term	2
Review Your Annual Statement	2
Mid-Career & Pre-Retirement Workshops	4
Retirements Down-Helps Build Financial Security	3

Disability Income Limitation	2
Military Service Purchases	4
Governor Announces \$12 Million Transfer	2
RFQ	3
Do You Have Unpaid Days This Year?	4

KTRS Board Elects Dr. Jay Morgan as Trustee to Fill Unexpired Term of Arthur W. Green



The KTRS Board of Trustees' Chairman Arthur W. Green retired from teaching on June 30, 2006. Consequently, his seat on the KTRS Board of Trustees, representing active members, became vacant. At a meeting held June 19, 2006, the Board of Trustees elected **Dr. Jay Morgan** of Murray to fill Mr. Green's unexpired term. Dr. Morgan is an associate professor in the Murray State University School of Agriculture, where he earned a Bachelor of Science degree in agriculture business and a Master of Science degree in agriculture education. His Doctor of Philosophy degree in agriculture education is from Oklahoma State University. Dr. Morgan's term of office began July 1, 2006 and will end June 30, 2009.

CONLEY continued from page 1 ...

again in March 2004. He has served as vice chairman of the Board's Investment Committee for fourteen years of his tenure on the Board of Trustees.

Mr. Conley, a lifelong resident of Paintsville, taught in the Paintsville City Schools for two years, and began a career in banking in 1948 with the First National Bank of Paintsville, rising from bank teller to executive vice president and chief executive officer when he retired in 1980. After retiring from banking, Mr. Conley served as finance officer for Johnson County, as well as finance officer and budget director for the City of Paintsville.

Mr. Conley has been very active in civic and community affairs, and served as a member of the Paintsville Independent School Board for twelve years, including a four-year term as chairman. He also served on the Board of Advisors at Prestonsburg Community College for more than 25 years.

Mr. Conley's current term of office began July 1, 2006 and will end June 30, 2010.

ZIMMERMAN continued from page 1 ...

Ms. Zimmerman is a graduate of Eastern Kentucky University with a B.S. in Community Health Education, a B.S. Area of Concentration Science, and a Masters Degree in Biology Education. Ms. Zimmerman is currently a teacher in Fayette County Public Schools' Family Care Center, and is a recipient of the University of Kentucky's Teachers Who Made A Difference Award.

In addition to serving on a number of Fayette County Public Schools' committees, Ms. Zimmerman is also active in the Kentucky Education Association, the National Education Association and the Fayette County Education Association, where she has served on the Board of Directors. She has also served as chair of the Fayette County Education Association-sponsored Hugh O'Brien Leadership Program and participated as a liaison for students in the teacher education program. For more than ten years, Ms. Zimmerman served on the Fayette County Public Schools' Benefits Committee where benefit improvements were identified, specifications developed and proposals reviewed for making recommendations of companies that could provide benefits.

Ms. Zimmerman's current term of office began July 1, 2006 and will end June 30, 2010.



Keep Your Address Current!
this keeps you informed of all the
late-breaking news from KTRS!!

Please Review Your Annual Statement

The Kentucky Teachers' Retirement System annual statements for fiscal year ending June 30, 2006, will be mailed in early September 2006. The accuracy of the information contained in this statement is important to your retirement and serves as the basis for preparing an estimate of your retirement benefits. Your employer furnished the salary and service credit reflected on your statement. To assist members in maintaining accurate retirement accounts, KTRS will perform service credit audits on member accounts that will be eligible to retire in the next

two years. You can help by carefully reviewing your statement to assure its accuracy. Please pay particular attention to the total service credit ending balance at June 30, 2006.

Members are entitled to receive a full year of service credit if they have no more than five days without pay during a year. If you think your account may have an error, please contact your employer. Your employer will then notify KTRS of errors and/or omissions that need to be corrected.

Mid-Career Planning Workshops

Registration 5:30 – 5:40 P.M.

Workshop 5:40 - 8:30 P.M. (Local Time)

September 18, 2006

Pine Mountain SRP
Azalea Room
1050 State Park Rd
Pineville, KY

September 25, 2006

Drawbridge Inn
Monks Room
2477 Royal Drive
Ft. Mitchell, KY

October 3, 2006

Knight's Inn
(formerly Ramada Inn)
Oak Room
1698 Flemingsburg Road
Morehead, KY

October 9, 2006

Holiday Inn
University Plaza Hotel
Convention Center
Meeting Room 2
1021 Wilkinson Trace
Bowling Green, KY

Pre-Retirement Seminars

Registration 9:00 – 9:15 A.M.

Seminar 9:15 A.M. – 1:00 P.M. (Local Time)

September 9, 2006

Jenny Wiley SRP
75 Theatre Court
Prestonsburg, KY

October 14, 2006

**Bluegrass Community &
Technical College**
215 Oswald Bldg.
Cooper Drive
(Across parking lot
from the football stadium)
Lexington, KY

October 28, 2006

**Hopkinsville
Community College**
Auditorium
720 North Street
Hopkinsville, KY

November 18, 2006

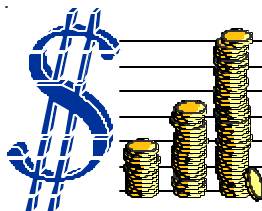
Barren River SRP
1149 State Park Rd
Lucas, KY

Please go to www.ktrs.ky.gov for all workshop & seminar REGISTRATION.

Retirements Down as Members Work Longer to Build Greater Financial Security

The combined number of retirements for June and July 2006 was 1,098.

This is the second lowest number of retirements for these two months in the last ten years. Correspondingly, the average retirement age has slowly increased over the last few years. KTRS believes that there are a number of reasons for this recent trend. One of the most important is that members are becoming better educated in understanding what their financial needs will be during their retirement years, and are waiting to retire until they feel that they can do so with financial security. Through its mid-career and pre-retirement workshops, KTRS presents information to help members make better-informed retirement decisions.



Another factor that appears to have encouraged members to work longer and achieve greater financial security in retirement is the legislative change in 1998 that permitted retirement allowances to be calculated on a member's three highest, rather than five highest, salaries once the member accumulates at least twenty-seven years of service and reaches fifty-five years of age. The availability of a 3.0% multiplier for each year of qualified service in excess of thirty years has also been a tremendous benefit for those members who choose to work longer.

Other reasons that members appear to be working longer include uncertainty over the continued funding to sustain medical insurance at current levels, and residual uncertainty over the economy following the stock market crash in the year 2000.

Disability Income Limitation

As a result of the enactment of House Bill 555 during the 2006 General Assembly, the disability income limitation for members who retired under the disability provisions on or before July 1, 2002, increased from \$27,000 to \$40,000 effective July 1, 2006. These retirees will be able to earn in allowable, non-KTRS covered employment (when added to their disability retirement allowance) a combined income equal to the greater of \$40,000 or their last annual compensation before retirement. The \$40,000 limitation is the same limit set for persons who retire under the disability provisions after July 1, 2002.

Military Service Purchases

House Bill 79, enacted during the 2006 General Assembly, provides that the Commonwealth of Kentucky shall pay the member contribution for all certified staff employed in the local school districts who are members of a state National Guard or Reserve component ordered to active military duty by the President of the United States. In order to qualify, members must timely return to employment in their districts upon release from active duty. Only upon a timely return to employment is the Commonwealth obligated to pay the member contribution. House Bill 79 became effective on July 12, 2006, and is not retroactive. The Commonwealth is obligated to pay the member contribution only for those members who timely return to employment in their local school districts on or after July 12, 2006.

KTRS Medical Insurance Fund to Receive \$12 Million Transfer from State's General Fund Surplus

On July 10, 2006, Governor Ernie Fletcher announced a \$136.5 million General Fund surplus for fiscal year 2006, which ended June 30. Under the current budget bill, the only allowable uses for the General Fund surplus are transfers to the retirement systems and the rainy day fund, which includes Necessary Government Expenditures. Governor Fletcher's transfer of \$12 million of this

surplus to the KTRS Medical Insurance Fund will help defray the cost of retiree health care.

Gary Harbin, KTRS executive secretary, thanked Governor Fletcher, on behalf of the KTRS Board of Trustees, membership and staff, for the positive consideration given to the System's request to be included in the allocation of any surplus funds.

KTRS Explores Possible Savings for Retiree Healthcare

KTRS' current self-funded Medicare Eligible Health Plan pays medical claims after Medicare pays its portion of each claim. The Medicare Modernization Act opened a window of opportunity for insurance carriers to offer insured plans called Medicare Advantage Plans. In order to entice insurance carriers to cover more rural counties throughout the United States, Medicare provides approximately 10% more subsidy for the Medicare Advantage Plans as opposed to the traditional Medicare plan. The Medicare Advantage Plan product has been well received by insurance carriers in 2006, producing a competitive environment.

To further explore this opportunity, KTRS has issued a Request for Qualifications (RFQ) soliciting responses for an insured Medicare Advantage Plan for calendar year 2007. The solicitation was drafted in accordance with the existing Medicare Eligible Health Plan design. The existing plan design, out-of-pocket costs, and physician/hospital access will not materially change or the solicitation process will cease.

If a contract is awarded, the insured Medicare Advantage Plan will replace the current KTRS self-

funded Medicare Eligible Health Plan that covers participants who have both Medicare Parts A and B. This RFQ also contains a mandatory component stating that the awarded insurance carrier for the Medicare Advantage Plan must also function as the third party administrator and claims processor for the existing KTRS self-funded Medicare Eligible Health Plan that will remain intact to cover participants who are not automatically entitled to Medicare Part A. For calendar years after 2007, should Medicare substantially reduce the subsidies afforded with the Medicare Advantage Plans, KTRS will revert back to the KTRS self-funded Medicare Eligible Health Plan for all participants, beginning with the next calendar year.

KTRS has performed an initial savings analysis demonstrating that conversion to a Medicare Advantage Plan may result in an approximate \$11 million savings in calendar year 2007. The KTRS self-funded Medicare Eligible Prescription Drug Plan, currently administered by Medco, will remain intact for all eligible retirees over the age of 65, unless they are enrolled in one of the Medicare Part D drug plans.

Do You Have Unpaid Days This Year?

Full-time members who had unpaid contract days in the 2005/2006 fiscal year should contact KTRS about their eligibility to obtain full service and/or salary credit. **The deadline for purchasing this type of credit is December 31, 2006.**

Members granted leaves of absence in 2005/2006 should contact KTRS about recovering this credit. **The deadline for this type of purchase is June 30, 2007.**

Get to Know Your Retirement System with a KTRS Orientation

Several schools, as well as entire districts, have requested that KTRS staff meet with educators in their system to provide an orientation on the Kentucky Teachers' Retirement System. Our office can provide a short fifteen-minute summary or a one-hour presentation based on your timing needs.

Topics that will be covered include highlights of the KTRS defined benefit plan, the advantages of saving early for retirement, the value of retaining one's sick leave days, and information members should know regarding their retirement account.

KTRS counselors frequently hear the following comment from career educators: "If I had only known that when I first started teaching."

Knowing this valuable information on the front end of one's career eliminates regrets when a member is nearing retirement.

Please ask your school or district office to contact Sandra Bush at KTRS at 800-618-1687, or e-mail sandra.bush@ky.gov for more information on a KTRS orientation presentation.